



The Value of A Good Credit History

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Your credit "history" is a record of how you pay bills or repay money you have borrowed. It includes your record and timelines of payments of your bank accounts, loans, credit card accounts, store accounts and other lending. The value of having a good credit "history" cannot be underestimated. When you go to apply for a new job, chances are high that your credit will be checked, which most employers feel is a good indication of your character and how seriously you take your duties and obligations. A bad credit "history" is also going to cause you to pay a higher interest rate on your mortgage, your car, loan repayments and many other things as all these require a credit check. This can add up to costing you hundreds and even thousands of Pulas more in interest than you would have paid with a good credit "history". Credit grantors such as banks make use of a credit report issued by a credit bureau to determine your creditworthiness by assessing both past and current credit behaviour.

How to establish a credit "history"

Begin by opening a savings and cheque account in your name. Over time, your deposits, withdrawals and transfers demonstrate that you can handle money responsibly.

Apply for a loan or finance of an asset, but be aware of the cost, since payment of interest is applicable.

Things that jeopardise your credit "history":

- Late payments are noted on your credit report, even if you pay it later. You must pay your instalments as per the arrangement.
- Using more credit than your arranged facility. This action has a negative effect and incurs unnecessary costs like penalty fees.
- Cheques issued with insufficient funds in your account. In addition to incurring unnecessary excess fees, your cheques may be returned which will negatively influence your credit record.
- Not paying your loan or asset finance. An unpaid instalment reflects negatively on your credit record and places your cash flow under pressure if you have to make more than one payment the next month.
- Personal debt is too high. Banks and other lenders take into account your total debt when considering whether you qualify for additional commitments.
- If you are placed under administration, declared bankrupt or a summons is issued against you, it will have a serious effect on your credit "history". If this happens, it will be very difficult to restore your creditability to obtain new credit.

Advantages of a good credit "history"

- Makes it easier to obtain credit
- Favourable terms and rates can be negotiated
- Good credit is an asset. It is a valuable tool for building wealth for you and your family over the long term.

How to improve a poor credit "history"

- Recognise your problem, stay in contact and negotiate new arrangements like extension or new payment schedules or reach a compromise with your credit provider.
- Immediately stop taking up more credit. Ensure that you can afford your monthly repayments.
- Try to catch up on arrear instalment and keep to your arrangements.
- Consider consolidating your debt to improve your cash flow

If you have been having credit difficulties, keep in mind that it takes time to rebuild good credit. You must demonstrate responsible credit behaviour each day as you spend, and each month as you pay your bills.

Remember, your credit "history" is an important part of who you are financially. It will play an important role in determining how easily you'll be able to borrow the funds you'll need to accomplish your goals and how much you'll pay for those funds. So take care of your credit, because good credit is vital to your future success.

Whilst banks need to be responsible in the extension of your credit, you can be a responsible borrower by limiting unnecessary debt.

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